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SUBJECT: AKHMETOV HOLDS FORTH ON UKRAINIAN POLITICS AND
ECONOMICS

REF: KYIV 1145

Classified By: Ambassador for reasons 1.4 (b,d).

Summary

1. (C) In a meeting with the Ambassador on October 8, billionaire industrialist and Party of Regions MP Rinat Akhmetov expressed support for President Yushchenko's plans to dissolve the Rada, saying elections were the only "democratic" way forward for the country. Akhmetov said that Regions would be together for the upcoming election, and expressed hope that his party could form a coalition with Yushchenko's faction after the election. He noted that such a coalition could be formed if both sides compromise on NATO MAP and other difficult issues. Akhmetov noted that the global financial crisis has affected his business, especially in lower demand for metallurgy products, and would negatively impact Ukraine's economy in general. He told the Ambassador that he was still interested in acquiring coal producing assets in the United States, as it would allow Ukraine to diversify supplies and lessen its dependence on Russia in the long-term. End Summary.

Yushchenko: "Brave and Honorable"

2. (C) Akhmetov spoke positively about President Yushchenko and his push towards early Rada elections. He told the Ambassador that he was against early elections, but they were the best and only "democratic" option to pull Ukraine out of political turmoil. He expressed respect for Yushchenko's honesty, and said that while Yushchenko won't benefit from the elections, at least he is not "cheating society" by creating a coalition that won't work. Yushchenko was a "brave and honorable" man, Akhmetov said, who remained consistent in his positions "whether he is in the East or the West of Ukraine."

Tymoshenko Neither of the Above

3. (C) Akhmetov was critical of PM Tymoshenko's "politics of populism," and her attempts to create a coalition with Regions. He was convinced that her only goals are to hold on to power and "destroy the presidency." There was strong support in Regions for a pairing with BYuT, but Regions MPs were only looking at government positions and other "certain motivations" without thinking about the consequences of a BYuT/Regions coalition; such a pairing would set the country back years, Akhmetov claimed. He said he had worked "very hard" to prevent a coalition with BYuT and had convinced Yanukovych not to pursue it. Akhmetov said there was "now no chance" that BYuT and Regions would form a coalition.

Elections: Yushchenko Will Do Well, Regions Will Stay Together

14. (C) Forecasting a much rosier scenario for Yushchenko than we've heard anywhere else, Akhmetov told the Ambassador he expects Yushchenko's bloc would receive a minimum of 15 percent of the votes in early Rada elections. Akhmetov posited that voters would support Yushchenko because he hasn't departed from his core values, including his positions on language and NATO membership. "He comes to Luhansk and talks about NATO," Akhmetov said in a subtle jab at what many see as PM Tymoshenko's propensity to change positions, and appearance, to fit her audience.

15. (C) Akhmetov said that Interior Minister Yuriy Lutsenko and his People's Self-Defense movement is already a branch of BYuT, so their departure from OU-PSD will not negatively affect Yushchenko's chances in the Rada election. Similarly, Akhmetov believed that former Defense Minister and Chairman of the National Security and Defense Committee Anatoliy Hrytsenko could leave Yushchenko's bloc with no ill-effects on Yushchenko's level of popular support.

16. (C) Akhmetov complimented NSDC Chair Raisa Bohatyreva and Rada Speaker Arseniy Yatseniuk, saying that they had bright futures in Ukrainian politics. But, he added, neither Bohatyreva nor Yatseniuk could create a credible political project in time to be competitive in this election. Akhmetov said Ukrainian politics needs "fresh blood and new faces," but said that the election was now, and they are not ready.

17. (C) Turning to issues within his party, Akhmetov said that Regions will stand together for the election, saying that it would be "inappropriate" to split the party at this time.

Akhmetov underlined his admiration for US politicians' ability to stay on message, saying that Regions agrees on an issue, but then everyone goes out and says different things to the media. He said that Regions is working to develop message discipline, and will focus their campaign on a comparison of their achievements in government to the current coalition's failures.

Regions/Yushchenko/Lytvyn: A "Dream" Coalition

18. (C) Akhmetov argued that a new coalition with Regions, OU and the Lytvyn bloc is "what the country needs." He said it was not possible now, however, because their platforms were too different. Akhmetov expressed hope that both Regions and OU could "cleanse" their party lists of "radicals" to allow OU and Regions to come together after the election. He said that the coalition could focus on what unites Ukraine, and "find compromise on what divides us." He said compromise was possible if both Regions and OU lose something but "the country wins."

19. (C) Responding to the Ambassador's question about the foreign policy of such a coalition, Akhmetov said that their positions on the EU are identical, and that, on NATO membership, both parties support a national referendum. Akhmetov said Regions' position is "if the people support it, we support it." He added that Regions would also support a referendum on NATO MAP, comparing the position to Germany and France, whose leaders have stated that they won't vote for MAP, in part, because a majority of their populations don't support it. Akhmetov agreed that Regions' position on MAP differed from Yushchenko's, but again claimed that they could find compromise. He said that he didn't know what such a compromise would look like, but said whoever finds it "would make history" and unite the country.

America Sneezes, Akhmetov and Ukraine Catch Cold

110. (C) Turning to the economy, Akhmetov said that he prays daily for the US economy. He said that his business interests are feeling the effects of the financial crisis, and that anyone in Ukraine who hasn't felt it yet will soon

enough. Finding a bright side, Akhmetov said that the international financial turmoil's effect on Ukraine shows that its economy is integrated into the global economy: It will share the pain but will also share in the benefits of integration.

¶11. (C) Akhmetov said that he can't find markets for his metallurgy products. For example, a product that previously sold for more than 1000 dollars in international markets now finds no buyers at 500 dollars, a price 44 percent below current production costs. Akhmetov feared that a slowdown in production would have a cascading effect on Ukraine, as energy and other input consumption would decrease, transportation and other services would be scaled back, and unemployment would rise.

But Akhmetov Still Interested in US Coal Assets

¶12. (C) Akhmetov told the Ambassador that his investment in US coal-producing assets is "still on the agenda." He said that the current crisis will pass, but Ukraine will always need coal resources. If Ukraine does not start importing coal from elsewhere, he said, Ukraine would become more dependent on Russia. He said that he is also planning to develop a deep-water port capable of receiving coal imports by ship as current Ukrainian ports "can't handle them" now. Akhmetov said that purchasing US coal-producing assets made good economic sense to him, as there are 30 to 40 years of reserves in the assets, which will provide energy security and independence from Russia. He said that he has lined up financing and has been reassured that lenders are still interested in going forward with the deal.

A Way Forward on Vanco?

¶13. (C) Akhmetov said that he will buy Shadowlight's shares in Vanco (Ref A), and has already proposed a purchase price. When the Ambassador suggested that an international oil company may be interested in joining the deal, Akhmetov said it would be an "excellent solution" and suggested that he could help to transfer shares from Shadowlight to a new investor. He expressed confidence in the project, adding that Vanco's problems would have "gone away" if he had agreed to a BYuT/Regions coalition -- a step he could not take in good conscience.

Comment

¶14. (C) Akhmetov was very open and engaged throughout the meeting. We were surprised by his forecast for a strong Yushchenko election result, a minority opinion in Ukraine. Akhmetov appeared earnest when complimenting Yushchenko, echoing a theme we have recently heard from our Regions contacts, including Party head Yanukovych and nominal party spokesperson Hanna Herman. This may be a Regions signal for a potential post-election alliance between themselves and Yushchenko -- which could be a factor in Yushchenko's calculus for calling the elections.

TAYLOR